CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

Annual
Report

UNITED WHELAN Corporation

1960

UNITED WHELAN CORPORATION

Executive and General Offices: **82 39th Street, Brooklyn 32, N. Y.**

Branch Offices and Warehouses

910 West Jackson Blvd., Chicago 7, Ill.
610 South Main St., Los Angeles 14, Calif.
239-243 N.W. 28th St., Miami 37, Fla.

Board of Directors

Leo Bertisch
Charles Green
J. Raymond McGovern
William L. Pfeiffer
Ted M. Segal
Harry T. Silverman

Officers

Charles Green ..... *Chairman of the Board*
Leo Bertisch ..... *President*
Benjamin S. Thaw ..... *Executive Vice President*
Paul Olsen ..... *Vice President, Treasurer and Comptroller*
Alvah K. Parent ..... *Vice President and Secretary*
Herman H. Goldstein ..... *Vice President*
John C. Hutsler ..... *Vice President*
Michael M. Katz ..... *Vice President*
Charles J. Sewall ..... *Assistant Secretary and Assistant Treasurer*

UNITED WHELAN CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

(Excluding Crawford Clothes, Inc.)

BRIEF COMPARATIVE HIGHLIGHTS

	1960(A)	1959	1958
Sales and shipments to agents	$50,852,383	$45,168,944	$49,794,621
Net income before Federal income taxes	1,955,188	1,417,137	1,615,002
Federal income taxes	(B)	(B)	755,000
Net income after Federal income taxes	1,955,188	1,417,137	860,002
Earnings per share (Common)	$1.34	96¢	55¢
Dividends paid (Common)	55¢	37½¢	24¢
Book value of Common Stock	$8.45	$7.44	$7.08
Shares of Common Stock outstanding at end of year	1,430,195	1,433,511	1,470,530
Ratio of Current Assets to Current Liabilities	3.2 to 1	2.8 to 1	2.9 to 1
Units in operation:			
United Whelan stores	113	120	131
United Whelan agencies	432	446	494
Charles Stores	31	—	—

(A) 1960 includes Charles Stores Company, Incorporated, from April 15, 1960.

(B) No provision for Federal income taxes in 1960 and 1959 required due to losses of Crawford Clothes, Inc. and its subsidiaries and, in 1960, a consolidated net operating loss carryover from 1959.

Reference should be made to the consolidated financial statements of Crawford Clothes, Inc. and its subsidiaries, included elsewhere in this report.

March 30, 1961

To the Stockholders of
UNITED WHELAN CORPORATION

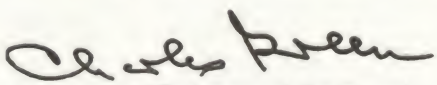
We submit herewith the Annual Report of your Corporation for the year ended December 31, 1960. Included herein are Consolidated Financial Statements, which contain figures for Charles Stores Company, Incorporated, a subsidiary acquired during the year, but exclude those of Crawford Clothes, Inc. Separate Financial Statements for Crawford Clothes and its subsidiaries, however, are also included. A summary of pertinent facts with respect to profits, earnings per share of Common Stock, units in operation and other data for the year 1960, compared with the preceding two years, are contained in the tabulation of Brief Comparative Highlights on the preceding page.

The extensive program of reorganization and rehabilitation of Crawford Clothes, Inc., including the closing of unprofitable stores, undertaken by management after acquisition of this subsidiary in 1959, was continued in 1960. The activities of Crawford continued to be conducted separately from those of the Corporation and its other subsidiaries.

Charles Stores Company, Incorporated was acquired by the Corporation on April 15, 1960, at which time it operated a chain of 32 junior department stores, chiefly in the southern states of Virginia, Tennessee, Kentucky and North Carolina. Management is of the opinion that this company provides a ready-made operating and buying organization for the Corporation's planned expansion into the retail discount field, announced early in 1960. It is expected that the first units of this type will be opened during 1961.

Subsequent to the last meeting of the stockholders, Mr. Nat Polinsky, a Director of the Corporation since 1953, offered his resignation, which was regretfully accepted. The number of Directors has been reduced from seven to six and the Executive Committee has been abolished. On October 31, 1960, Mr. Harry M. Chichester, Vice President in charge of retail store operations, resigned as an officer of the Corporation after approximately forty years of service, but will continue to assist the Corporation in an advisory capacity.

This report is submitted on behalf of the Board of Directors.



Chairman of the Board

President

UNITED WHELAN CORPORATION AND

COMPARATIVE CONSOLID

As at December 31

ASSETS

	1960	1959
CURRENT ASSETS:		
Cash	$ 3,779,031	$ 1,988,084
Investments, at cost (market quotations approximate $167,000 and $1,815,000, respectively)	176,621	1,616,778
Accounts and notes receivable, and merchandise shipments to agents, less reserves—Note C	1,226,014	1,205,494
Inventories of merchandise and supplies, at cost or market whichever is lower	8,512,145	6,936,052
Prepaid insurance, taxes and rent	318,792	331,676
TOTAL CURRENT ASSETS	14,012,603	12,078,084
INVESTMENT IN AND, IN 1959, ADVANCES TO CRAWFORD CLOTHES, INC., a wholly-owned unconsolidated subsidiary, at cost—Note A	478,134	699,794
OTHER ASSETS:		
Merchandise shipments to agents—Note C	225,775	260,625
Notes and accounts receivable due after one year, etc.	121,236	152,917
	347,011	413,542
FIXED ASSETS, at cost or less:		
Land, building and building improvements	114,599	
Furniture, fixtures and equipment (includes approximately $1,600,000 and $1,400,000, respectively, on which depreciation provided is equal to asset)	4,854,207	4,119,994
	4,968,806	4,119,994
Less: Depreciation	3,323,192	2,851,659
	1,645,614	1,268,335
Improvements to leaseholds, less amortization	1,562,917	1,476,520
	3,208,531	2,744,855
DEFERRED CHARGES	140,996	188,540
	$18,187,275	$16,124,815

The accompanying Notes to Financial Statements are an integral

CONSOLIDATED SUBSIDIARY COMPANIES

ATED BALANCE SHEET
1960 and 1959

LIABILITIES

	1960	1959
CURRENT LIABILITIES:		
Notes payable to banks—Note B	$ 250,000	
Accounts payable	2,602,671	$ 2,453,471
Taxes accrued and withheld, other than Federal income taxes	800,426	728,049
Dividends payable		307,703
Accrued expenses and other liabilities	736,651	650,186
Federal income taxes		105,875
TOTAL CURRENT LIABILITIES	4,389,748	4,245,284
DEFERRED CREDIT—unamortized excess of equity in net assets of a consolidated subsidiary company over investment therein—Note B	538,160	
CAPITAL STOCK AND SURPLUS:		
Capital Stock:		
Convertible Preferred Stock, par value $100.00 a share, $3.50 dividend cumulative (each share exchangeable for four shares of Common Stock):		
Authorized—50,000 shares		
Issued —12,000 shares	1,200,000	1,200,000
Common Stock, par value 30¢ a share:		
Authorized—3,000,000 shares		
Issued —2,307,308 shares	692,192	692,192
Capital Surplus	6,104,099	6,104,099
Earned Surplus	9,522,788	8,088,187
	17,519,079	16,084,478
Less: Treasury stock, at cost—340 shares Preferred Stock and 877,113 shares Common Stock in 1960 and 873,797 shares Common Stock in 1959	4,259,712	4,204,947
	13,259,367	11,879,531
LONG-TERM LEASES, CONTINGENCIES AND OTHER COMMENTS—Notes D and E		
	$18,187,275	$16,124,815

part of this statement and should read in conjunction herewith.

UNITED WHELAN CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

For the Years Ended December 31, 1960 and 1959

	1960	1959
Net sales and shipments to agents—Note C	$50,852,383	$45,168,944
Cost of goods sold, cost of shipments to agents and selling, general and administrative expenses, exclusive of depreciation and amortization—Note E	48,802,278	43,361,425
	2,050,105	1,807,519
Depreciation and amortization (exclusive of amounts applicable to real estate operations)	535,525	448,109
	1,514,580	1,359,410
Other income:		
Profit on sales of securities	471,973	109,079
Dividends and interest	23,568	71,124
Miscellaneous	77,579	68,838
	573,120	249,041
	2,087,700	1,608,451
Other deductions:		
Loss from real estate operations (including depreciation and amortization of $56,468 in 1960 and $51,920 in 1959)—Note E	172,908	147,091
Miscellaneous	48,429	44,223
	221,337	191,314
	1,866,363	1,417,137
Amortization of excess of equity in net assets of a consolidated subsidiary company over investment therein—Note B	88,825	
Net income before Federal income taxes	1,955,188	1,417,137
Estimated Federal income taxes applicable to above income	850,000	710,000
Net income before Federal income tax reduction	1,105,188	707,137
Federal income tax reduction resulting from filing a consolidated Federal income tax return which includes deductible losses of Crawford Clothes, Inc. and its subsidiaries and, in 1960, a consolidated net operating loss carryover from 1959—Note D	850,000	710,000
Net income	1,955,188	1,417,137
Earned Surplus as at beginning of year	8,088,187	7,555,662
	10,043,375	8,972,799
Dividends on Convertible Preferred Stock	20,398	54,795
Dividends on Common Stock	500,189	829,817
	520,587	884,612
Earned Surplus as at end of year	$ 9,522,788	$ 8,088,187

The accompanying Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

UNITED WHELAN CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

As at December 31, 1960

Reference should be made to the previously issued annual report for the Accountants' Report and notes applicable to the consolidated financial statements as at December 31, 1959, and for the year then ended.

NOTE A—INVESTMENT IN CRAWFORD CLOTHES, INC.:

Due to the dissimilarity of the activities of the Corporation and those of Crawford Clothes, Inc., a wholly-owned subsidiary, the Corporation is of the opinion that the presentation of separate consolidated financial statements of Crawford Clothes, Inc. and its subsidiaries is more informative and, accordingly, it has excluded the accounts of those companies from consolidation; all other subsidiaries of the Corporation are included in consolidation. Reference should be made to the consolidated financial statements of Crawford Clothes, Inc. and its subsidiaries as at December 31, 1960, and for the year then ended, and to the Accountants' Report thereon, shown elsewhere herein, for information concerning losses sustained by that subsidiary and other matters pertinent thereto.

In 1960, the Corporation granted an option to the President of Crawford Clothes, Inc. to purchase 75,000 shares of a total 1,500,000 shares of outstanding stock of Crawford Clothes, Inc., held by the Corporation. The option is exercisable at any time prior to April 1, 1965. The option price is $20,000 or approximately 27 cents a share, which is substantially equivalent to the net cost of such shares to the Corporation. The option price is payable $1,000 in cash and the balance by a 6% demand note. The option agreement further provides that, in the event that Crawford Clothes, Inc. and its subsidiaries have consolidated net income, or consolidated net losses of $25,000 or less, during any two consecutive calendar years to December 31, 1964, Crawford Clothes, Inc. shall purchase such shares as may be offered by the President at the prevailing book value of the shares at or about the time the purchase is made. The President of Crawford Clothes, Inc. may not sell any shares acquired by exercise of the option to a purchaser other than United Whelan Corporation or Crawford Clothes, Inc. without first offering to sell the shares back to United Whelan Corporation at its cost.

NOTE B—ACQUISITION OF CHARLES STORES COMPANY, INCORPORATED:

On April 15, 1960, the Corporation acquired all of the outstanding capital stock of Charles Stores Company, Incorporated for $2,000,000 in cash; the latter operates a chain of junior department stores. The underlying book equity as at the date of acquisition exceeded the Corporation's investment therein by $644,781. This excess (less costs applicable principally to closed stores) has been treated in the Corporation's consolidated financial statements as a "Deferred Credit" and is being credited to income ratably over five years from April 15, 1960, such period representing the approximate weighted average of the remaining terms of the store leases of Charles Stores Company, Incorporated.

The results of operations of Charles Stores Company, Incorporated are included in the accompanying consolidated statement of income and earned surplus from April 15, 1960, date of acquisition; the net income of that subsidiary for such period amounted to $238,702. Because of the seasonal nature of its business, the subsidiary sustained an operating loss during the period January 1 through April 14, 1960, which period preceded the acquisition by the Corporation.

UNITED WHELAN CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS—Continued
As at December 31, 1960

NOTE B—Continued

Pursuant to its notes payable to banks, which contain certain restrictive covenants and which mature on January 1, 1962, Charles Stores Company, Incorporated may not declare or pay any dividends other than in its own stock.

NOTE C—MERCHANDISE SHIPMENTS TO AGENTS:

In accordance with the Corporation's established policy, net sales and shipments to agents, as shown in the accompanying consolidated statement of income and earned surplus, include amounts representing merchandise shipments to certain agents who operate retail outlets, ownership of which merchandise, under the terms of the agency agreements, remains with the Corporation until the merchandise is sold by the agents. Amounts owing by such agents for merchandise sold as at December 31, 1960, and the accountability of such agents as at that date for unsold shipments of merchandise (other than initial inventory allowances) together total $489,264, which amount is included in the accompanying consolidated balance sheet under Current Assets in "Accounts and notes receivable, and merchandise shipments to agents, less reserves." The initial inventory allowances, for which agents are not required to make settlement until the termination of the agency, are included under Other Assets.

NOTE D—TAXES:

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

NOTE E—LONG-TERM LEASES, CONTINGENCIES, AND OTHER COMMENTS:

Pursuant to a contract with Consolidated Sun-Ray, Inc., the Corporation acted as general manager for, and coordinated its merchandising activities with, the former's drug store and drug agency division for the period May 9, 1960 through August 27, 1960. Billings (including fees) in connection with this contract, net of costs applicable thereto, have been applied as a reduction of cost of goods sold, cost of shipments to agents and selling, general and administrative expenses. As at March 3, 1961, final settlement of contract billings had not been made; however, in the opinion of management, any adjustments resulting therefrom should not be significant and should not materially affect the consolidated results of operations for 1960.

The Corporation and its consolidated subsidiaries in the ordinary course of business lease substantially all store properties. At December 31, 1960, there were 107 leases expiring more than three years after that date for which the minimum annual rental was approximately $1,478,000. The majority of these leases provide for additional rental based upon percentages of sales in excess of predetermined bases and upon other factors. Cost of goods sold, cost of shipments to agents and selling, general and administrative expenses include rent expense of $2,322,306 in 1960 and $2,135,763 in 1959, and loss from real estate operations includes rent expense of $469,187 in 1960 and $482,375 in 1959.

The Corporation is contingently liable with respect to guarantees of the obligations of others in the approximate amount of $190,000.

ACCOUNTANTS' REPORT

To the Stockholders
UNITED WHELAN CORPORATION
New York, N. Y.

We have examined the consolidated balance sheet of United Whelan Corporation and consolidated subsidiary companies as at December 31, 1960, and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the effect of the matters referred to in Note A with respect to Crawford Clothes, Inc., an unconsolidated subsidiary, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of United Whelan Corporation and consolidated subsidiary companies at December 31, 1960, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

New York, N. Y.
March 3, 1961

CRAWFORD CLOTHES, INC. AND SUBSIDIARY COMPANIES

COMPARATIVE CONSOLIDATED BALANCE SHEET

(Prepared on a Going Concern Basis—Note A)

As at December 31, 1960 and 1959

ASSETS

	1960		1959	
CURRENT ASSETS:				
Cash (including tenants' deposits of $42,450 in 1960 and $40,033 in 1959, and, in 1960, $150,735 held in trust for finance company)—Note B		$ 211,841		$ 478,905
Accounts receivable (including, in 1960, $1,915,056 assigned as collateral to finance company)—Note B	$1,999,025		$1,907,527	
Less: Reserve for doubtful accounts	220,000	1,779,025	135,000	1,772,527
Inventories of merchandise and supplies, at cost or market whichever is lower		3,402,400		4,004,849
Prepaid insurance, etc.		86,190		72,089
Due from United Whelan Corporation		32,978		
TOTAL CURRENT ASSETS		5,512,434		6,328,370
SUNDRY RECEIVABLES		58,519		32,978
FIXED ASSETS—at cost:				
Furniture, fixtures, machinery and equipment		867,471		951,615
Less: Depreciation		561,748		654,938
		305,723		296,677
Improvements to leaseholds, less amortization		154,210		188,016
		459,933		484,693
DEPOSITS AND DEFERRED CHARGES		20,632		25,387
		$6,051,518		$6,871,428

LIABILITIES

CURRENT LIABILITIES:				
Notes payable—bank				$ 750,000
Due to finance company—Note B		$1,006,949		
Accounts payable		1,407,400		902,360
Taxes accrued and withheld—Note C		170,857		173,496
Accrued expenses and other liabilities		442,616		551,655
Due to affiliated companies (including, in 1959, $253,598 due to United Whelan Corporation)		3,220		264,639
TOTAL CURRENT LIABILITIES		3,031,042		2,642,150
NOTES PAYABLE—OTHERS, due in installments to January 31, 1968, less installments due within one year included above		35,403		40,580
TOTAL LIABILITIES		3,066,445		2,682,730
CAPITAL STOCK AND SURPLUS/DEFICIT—Notes B and E:				
Common Stock, par value $2 a share: Authorized—1,750,000 shares Issued and outstanding—1,500,000 shares		3,000,000		3,000,000
Capital Surplus		3,725,855		3,725,855
(Deficit)		(3,740,782)		(2,537,157)
		2,985,073		4,188,698
LONG-TERM LEASES AND OTHER COMMENTS—Notes D and F				
		$6,051,518		$6,871,428

The accompanying Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

CRAWFORD CLOTHES, INC. AND SUBSIDIARY COMPANIES

COMPARATIVE CONSOLIDATED STATEMENT OF OPERATIONS AND SURPLUS/DEFICIT

(Prepared on a Going Concern Basis—Note A)

	For the Year Ended December 31, 1960	For the Period from February 3, 1959 to December 31, 1959
Net sales	$10,941,440	$9,419,952
Cost of goods sold, exclusive of depreciation and amortization—Note D	6,120,440	5,616,003
	4,821,000	3,803,949
Income from departments leased to an affiliated company—Note F	43,754	
	4,864,754	3,803,949
Selling, general and administrative expenses, exclusive of depreciation and amortization (less service charges on accounts receivable of $118,759 and $52,656, respectively) —Note D	5,851,433	5,153,330
	(986,679)	(1,349,381)
Depreciation and amortization	120,387	94,404
	(1,107,066)	(1,443,785)
Other income:		
Profit on sales of fixed assets	9,339	
Miscellaneous	1,451	3,249
	10,790	3,249
	(1,096,276)	(1,440,536)
Other deductions:		
Interest and finance charges	98,007	29,687
Miscellaneous	9,342	673
	107,349	30,360
Net (loss)	(1,203,625)	(1,470,896)
Special items:		
Provision for loss on liquidation of inventories		800,000
Costs and expenses in connection with reorganization of certain departments, closing of stores, moving, etc.		266,261
		1,066,261
Net (loss) and special items—Note C	(1,203,625)	(2,537,157)
Earned Surplus/(Deficit) as at beginning of period	(2,537,157)	2,525,855
	(3,740,782)	(11,302)
Dividends paid		2,525,855
(Deficit) as at end of period	($ 3,740,782)	($2,537,157)
Capital Surplus:		
Balance as at beginning of period	$ 3,725,855	$4,500,000
Dividends paid		774,145
Balance as at end of period	$ 3,725,855	$3,725,855

The accompanying Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

CRAWFORD CLOTHES, INC.
AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

As at December 31, 1960

Reference should be made to the previously issued annual report for the Accountants' Report and notes applicable to the consolidated financial statements as at December 31, 1959, and for the period from February 3, 1959 to December 31, 1959. Certain items in those statements have been reclassified for purposes of comparison.

NOTE A—OPERATING AND OTHER LOSSES:

Since its acquisition by United Whelan Corporation on February 2, 1959, the Company has been carrying out a program of reorganization, rehabilitation and closing down of unprofitable stores; in this connection, during the period from February 3, 1959 to December 31, 1959, the Company provided $1,066,261 for losses on liquidation of inventories and for other unusual costs and expenses. In addition the Company incurred operating losses of $1,470,896 for the period ended December 31, 1959 and $1,203,625 for the year ended December 31, 1960. Operating losses of substantial amount have been incurred since December 31, 1960 and are expected to continue. The management states that it is continuing intensive studies of the over-all problems of the Company in the light of the foregoing.

As at December 31, 1960, the Company was the lessee of two store locations no longer occupied by it, under leases expiring in 1967 and 1979, for which the aggregate future rental obligations (net of sub-rentals but including estimated real estate taxes) were approximately $1,400,000; the accompanying financial statements do not include any provision for such amount.

NOTE B—FINANCE AGREEMENT:

Under the terms of an agreement dated April 6, 1960, the Company assigned to a finance company, as collateral for advances made by the latter, all of its trade accounts receivable. The agreement requires that the Company, among other things, (i) maintain net current assets of at least $2,000,000, (ii) remit daily to the finance company all collections from assigned accounts receivable, and (iii) furnish the finance company with a number of periodic reports. In the event the Company fails to comply with certain of the provisions of the agreement and such failure continues for five days after the receipt of notice thereof from the finance company, the latter has the right to require immediate payment of the Company's indebtedness to it, to sell or dispose of the assigned collateral in whole or in part, and to take certain other actions as provided in the agreement. The Company has at times not complied with the requirements set forth in (ii) and (iii) above. As at December 31, 1960 no notice with respect thereto has been received by the Company.

NOTE C—TAXES:

The Company's parent company, United Whelan Corporation, intends to file a consolidated Federal income tax return for its fiscal year ended December 31, 1960. The consolidated net loss of Crawford Clothes, Inc. and its subsidiaries will be included in that return.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

CRAWFORD CLOTHES, INC.
AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS—Continued

As at December 31, 1960

NOTE D—LONG-TERM LEASES:

The Company and its subsidiaries in the ordinary course of business lease a factory building and all store properties. At December 31, 1960, there were 42 leases expiring more than three years after that date for which the minimum annual rentals aggregated approximately $1,000,000; see Note A. The majority of these leases provide for additional rental based upon percentages of sales in excess of predetermined bases and upon other factors; certain of the leases require the companies to restore the premises to their original condition upon expiration of such leases. Rent expense aggregating $1,159,339 (net of $221,447 rent income) has been charged to cost of goods sold in the amount of $24,816 and to selling, general and administrative expenses in the amount of $1,134,523.

NOTE E—STOCK OPTION:

In 1960, United Whelan Corporation granted an option to the President of the Company to purchase 75,000 shares of a total 1,500,000 shares of outstanding stock of the Company, held by United Whelan Corporation. The option is exercisable at any time prior to April 1, 1965. The option price is $20,000 or approximately 27 cents a share, which is substantially equivalent to the net cost of such shares to United Whelan Corporation. The option price is payable $1,000 in cash and the balance by a 6% demand note. The option agreement further provides that, in the event that the Company and its subsidiaries have consolidated net income, or consolidated net losses of $25,000 or less, during any two consecutive calendar years to December 31, 1964, the Company shall purchase such shares as may be offered by the President at the prevailing book value of the shares at or about the time the purchase is made; as at December 31, 1960, the net assets of the Company, based on its consolidated balance sheeet as at that date (prepared on a going concern basis—see Note A), amount to $1.99 a share. The President of the Company may not sell any shares acquired by exercise of the option to a purchaser other than United Whelan Corporation or the Company without first offering to sell the shares back to United Whelan Corporation at its cost.

NOTE F—OTHER COMMENTS:

As of June 1, 1960, the Company granted to Charles Stores Company, Incorporated (a subsidiary of United Whelan Corporation) a license to operate the Company's ladies department; this department had been in operation since the latter part of 1959. In connection therewith merchandise inventories were sold by the Company to the licensee at cost.

ACCOUNTANTS' REPORT

To The Board of Directors
CRAWFORD CLOTHES, INC.
New York, N. Y.

We have examined the consolidated balance sheet of Crawford Clothes, Inc. and subsidiary companies as at December 31, 1960, and the related consolidated statement of operations and surplus/deficit for the year then ended. These financial statements have been prepared by the Company on a going concern basis. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Reference is made to the information in Note A with respect to the past and expected operating losses of the companies. As more fully set forth therein, since acquisition of its outstanding capital stock by United Whelan Corporation in February 1959, the Company has been carrying out a program of reorganization, rehabilitation and closing down of unprofitable stores. During that time the Company and its subsidiaries have sustained consolidated net losses (including special items in 1959) in the amounts of $2,537,157 for the period from February 3, 1959 to December 31, 1959 and $1,203,625 for the year ended December 31, 1960, before providing for future rental obligations on certain store premises, where the stores have been closed and no income is being received other than a minor amount of sub-rentals. Unaudited financial statements subsequent to December 31, 1960 indicate that the Company and its subsidiaries have sustained further operating losses, and we have been informed by the management that losses have since continued and are expected to continue. In view of the foregoing matters, the consolidated financial statements of the Company and its subsidiaries as at December 31, 1960, and for the year then ended, may not be adequately indicative of their present consolidated financial position and may not adequately reflect all losses attributable to operations during the year ended December 31, 1960.

In our opinion, the accompanying financial statements have been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, other than as may be affected by the matters referred to in the preceding paragraph; however, because of the possible material effect of such matters upon the consolidated financial position and consolidated results of operations, we are precluded from expressing an opinion with respect to the fairness of the over-all presentation of the consolidated financial position as at December 31, 1960 and the consolidated results of operations for the year then ended.

S. D. LEIDESDORF & CO.

New York, N. Y.
March 3, 1961

Counsel

Aranow, Brodsky, Bohlinger, Einhorn & Dann, New York, N. Y.

Transfer Agent

Convertible Preferred Stock and Common Stock
The Marine Midland Trust Company, New York, N. Y.

Registrar

Convertible Preferred Stock and Common Stock
Chemical Bank New York Trust Company, New York, N. Y.

"GET IT AT Whelan's"